



CITY MANAGER'S OFFICE
ALEXANDRIA, VA

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March 26, 2012

by first class mail

Mr. Rashad M. Young
City Manager, City of Alexandria
Alexandria City Hall
301 King Street
Alexandria, VA 22314

re: *Alexandria Yellow Cab*

Dear Mr. Young:

I am enclosing copies of correspondence exchanged between my client, Alexandria Yellow Cab, and the chief executive officer for Tenants and Workers United, which represents some of the Company's drivers.

Recently, the client raised its stand dues by \$7.00 a week. This is the first stand dues increase since 2007. The reasons for the increase are spelled out in the correspondence. Simply put, the capital expense of new equipment, both for vehicles and dispatch services, have increased the costs of operation, as well as the revenues for drivers. Therefore, it's necessary to increase cash flow on the management side.

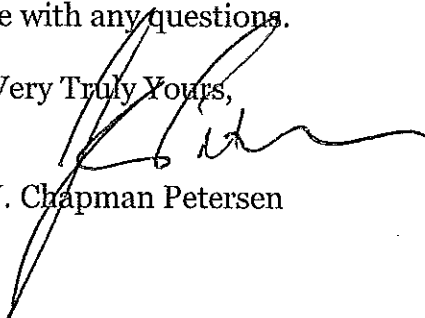
The drivers for Alexandria Yellow Cab are all independent contractors who work their own hours and own their own vehicles. They are free to leave the company at any time. There are over five hundred applications on file of other drivers waiting to take their place. At present, Alexandria Yellow Cab uses all 291 certificates allocated to it by the City. Its average daily call volume has never been higher.

My clients intend to resolve any issues with the individual drivers over the next few weeks. We are also available to discuss these matters with the Union, albeit without ceding the Company's autonomy as a privately-owned business. It remains committed to providing the best possible customer service to the residents of the City.

SUROVELL ISAACS PETERSEN & LEVY PLC
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Please feel free to contact me with any questions.

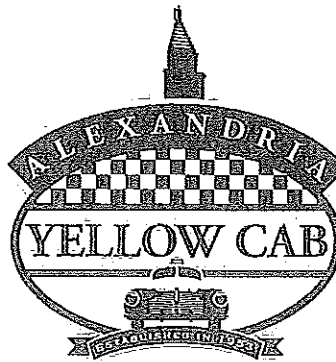
Very Truly Yours,



J. Chapman Petersen

/jcp
enclosures

cc: The Honorable William D. Euille, Mayor
Members of the City Council
Members of the Traffic & Parking Board
Client



March 22, 2012

Mr. Gabriel Rojo
Tennants and Workers United
3801 Mount Vernon Avenue
Alexandria, VA 22305

Dear Mr. Rojo:

We have received your letter of March 16, 2012. Thank you for taking the time to share your concerns with Alexandria Yellow Cab.

The decision to raise stand rent was not done arbitrarily nor taken lightly. Over the last five years, Alexandria Yellow Cab has seen record growth in our dispatch business and the amount of services offered to not only the customers, but also to the drivers. I will break down these increased costs and how it translates to benefits for the drivers:

A. Technology Upgrades to Vehicles and Dispatch Service

Since 2009, we have invested in outfitting our entire fleet with brand new Mobile Data Terminals (MDTs), printers, smart meters, and back seat payment devices. The following is a breakdown of the investments (with approximate costs) that we have already made:

- 1) **GPS Enabled MDTs with integrated smart meter (200):** \$2,000 each. (\$400,000) This MDT includes the dispatch software, meter, and navigation software integrated so that when the driver receives a call, directions are provided to the pickup and destination addresses. This feature helps the driver to quickly and efficiently arrive at the pickup address and deliver the customers to wherever they want to go. This MDT also gives the option to use the more reliable public data modem to be used in place of the private radio network.
- 2) **Stand Alone MDT (120):** \$950 each. (\$114,000) Although this MDT does not include navigation software, it is very powerful, reliable, and fast. It contains the strongest GPS connector in the industry which allows the driver to book in faster to start taking calls. It also ensures that the driver is booked into the correct zone so that he does not waste his time and gas driving to a call far away. This MDT has two USB ports which allow the option to connect a standalone GPS system that communicates with the dispatch software, while still being able to use the more reliable public data network.
- 3) **Smart Meter (120):** \$300 each. (\$36,000) These meters contain the latest firmware to ensure that they do not break and can communicate with the MDTs. Having a new and functioning



meter ensures the drivers are able to stay on the road to make money, instead of coming to the office for repairs.

- 4) **Printer (320):** \$150 each. (\$48,000) With each cab having a printer, the customer is able to receive a receipt within seconds instead of having to wait for the driver to write out a receipt for each credit card and cash transaction. This means the driver is able to get back on the road quicker to pick up his next fare. It also is one of the requirements for Alexandria Yellow Cab to be in compliance with the Payment Card Industry (PCI) Data Security Standard which went into effect January 1, 2011.
- 5) **Back Seat Payment Device (300):** \$1,000 each. (\$300,000) These computers conveniently located in the rear of the cab are the most powerful credit card machines in the industry. Not only do they process credit cards wherever there is a cell phone tower, they also provide entertainment and information for the passenger. The customers have responded positively to these devices and demand for our services has skyrocketed. More customers equal more business and money for the drivers. This device also keeps us in compliance with the Payment Card Industry Data Security Standard by doing the following:
 - A) Protecting stored cardholder data.
 - B) Encrypting transmission of cardholder data across public networks.
 - C) Maintaining secure systems and applications.
 - D) Restricting access to cardholder data by business need-to-know.
 - E) Restricting physical access to cardholder data
 - F) Maintaining a policy that addresses information security.
- 6) **Security Camera (300):** \$500 each. (\$150,000) This investment was made for the sole purpose of protecting our drivers and customers. While many customers have expressed their gratitude for the security the cameras provide, they also deter anyone that may seek to cause harm and malice towards a driver. These cameras record two video feeds, one outside and one inside the cab, and also record audio. These features will protect any driver involved in an accident or a dispute with a passenger to ensure that their side of the story is heard.

Even as we have spent over a million dollars in upgrades that can be seen in our cabs, we have also heavily invested in our IT infrastructure at the office. We have invested in redundant servers for our dispatch system, network, and phone servers which have all been purchased and updated over the last three years. Not only have we purchased additional hardware, we have also invested in new ways to attract customers. We were the first Mobile Knowledge fleet to sign up with taxi industry pioneer, Taxi



Magic, which gives the customer the ability to order and pay for a taxi through text message, online, and with smart phone apps.

B. Future Necessary Improvements Due to Increased Volume

All of the above purchases were made to ensure that (i) our drivers could stay on the road accepting calls and maximizing revenue, and (ii) our customers could order a taxi 24 hours a day 7 days a week. Because of this increased level of service, our network is at the point where substantial upgrades must be made, namely:

- 1) **Relocating our servers to a data center.** At our current office we are unable to receive the consistent and redundant internet, telephone, power, and radio connections we need to answer the phones and dispatch the fares to the cabs. We are moving our servers to a location where we can have dedicated power and telecommunications that will drastically limit any potential outages to our operations. The cost for the type of space we need to secure our system ranges between three and five thousand dollars per month, depending upon the facility.
- 2) **Switching from a private radio network to a public data network.** Our current radio network has reached its threshold and is unable to effectively dispatch the amount of calls we get to the drivers. As a result, there are times when drivers are unable to have reliable communications between their MDTs and our servers. Switching to the public data network will allow our drivers to have lightning fast communication between their MDTs and our dispatch center while reducing the amount of downtime they currently experience. Each MDT will have a modem with a monthly service plan from Sprint. Based on the amount of data our back seat devices and MDT's require and the type of contract we are able to negotiate, the cost of these data sticks could land anywhere between twenty and forty dollars per vehicle per month.
- 3) **Hiring additional dispatchers and calltakers to answer the increased number of calls.** The increase in calls requires additional customer service representatives to minimize the amount of time our customers spend on hold. We strive to hire professionals with a background in customer service to make the experience of calling Yellow Cab a pleasant one. These individuals tend to demand higher wages than what is common in our industry, but along with the other upgrades we have invested in, the results speak for themselves.



- 4) Creating a 24 hour 7 day a week driver support hotline to fix any problems or answer any questions that the drivers have. These agents will be trained to troubleshoot technical issues and answer any questions a driver may have. If the agent is unable to fix the problem over the phone, the member of management on call will meet the driver at the office to fix the problem.

All of these improvements cost money and cannot be sustained from the current cash flow that the company receives.

C. Phase-In of Stand Rent increase.

In regards to the raise in stand rent, we are sensitive to the drivers' concerns. In our company newsletter distributed to the drivers on February 15, 2012, Yellow Cab management invited anyone with questions or concerns to meet with a member of management to discuss them. Our General Manager had numerous meetings with concerned drivers, most of whom understood that an increase was necessary, but requested that it be spread out over a longer period of time. These meetings prompted Yellow Cab ownership and management to reduce the initial increase (from \$15 to \$7 per week), with CPI changes going forward. We managed this by extending our current debt structure and implementing some of the additional planned upgrades over an extended period of time.

Please note that Alexandria Yellow Cab has not increased its fees since 2007. In fact, during the recession of 2008 through 2010 when business was slower, we offered incentives to our drivers for servicing dispatch trips- effectively *decreasing* their stand rent to reward superior service. Again, the change from \$15 to \$7 per week, (a 3.6% to 4.1% increase), reflects our commitment to work with the drivers, however, as explained above, we also need more cash flow to cover the necessary upgrades.

D. Going Forward

We appreciate your suggestion regarding allowing drivers to use their smart phones as payment devices in order to increase their "bottom line" revenue. While we are always interested in innovative ways to save money, we cannot risk losing customers. One of the reasons Yellow Cab has such a loyal customer base is our fleet-wide uniformity. Our passengers know what to expect each time they order a cab. Our research shows that customers strongly prefer keeping their credit cards in their possession, and that



when left up to individual drivers, credit card processing is often "unavailable" or "out of order." We are also required to maintain uniformity to remain PCI compliant. Again, it is our strong belief that the back seat payment devices are driving the current increase in call volume.

In closing, we understand that nobody wants to pay more in stand rent. We are also sensitive to the fact that meter rates have not increased in the last four years. This increase was not made to take advantage of our drivers, but was done out of necessity. We have accommodated the request to minimize the increase by spreading it out over a few years, but further delay in upgrading our systems will jeopardize the business. As the owners of Yellow Cab, we must have the freedom to run our business and make the necessary investments. Our stand rates remain very competitive (more than \$100/ week below the national average), and we have over five hundred (500+) applicants ready to use our certificates should any current drivers decide to pursue another professional option.

Thank you again for taking the time to express your concerns. Should you have any further questions or comments, please feel free to contact me or Kyle Summers, our General Manager.

Regards,

A handwritten signature in black ink, appearing to read 'Spencer Kimball', with a long horizontal flourish extending to the right.

Spencer Kimball
President
Alexandria Yellow Cab, Inc.



March 16, 2012

Kyle Summers, General Manager
Alexandria Yellow Cab
3014 Colvin Street
Alexandria, VA 22314

Dear Mr. Summers,

This letter is to inform you that a recently-formed committee of Alexandria Yellow Cab drivers has decided to reject the unilaterally imposed increase in weekly stand dues. Management's so-called investment in growth and technological infrastructure, i.e. the justification for the increase, was ill-conceived and done without proper input from the drivers. In fact, with regard to "technical enhancements", some changes can be made to save drivers money and not incur an extra expense, a more appropriate course of action given the recent spike in gas prices and during this period of economic distress. Drivers can be permitted to use their personal smart phones to run credit cards, leading to a significant decrease in the current 5% fee deducted from every credit card exchange.

Six years ago a new taxi code was passed with the intention of treating drivers with fairness and allowing them to move between companies. The unfair manner by which you're imposing your will on the drivers is a direct contradiction to the spirit of the existing taxi code and is pressuring the drivers to leave Alexandria Yellow Cab. We intend to exercise our rights as Alexandria tax payers and workers, and resist this unfair treatment by working with the City of Alexandria's administration and city council.

Lastly, be advised that the newly formed committee of Alexandria Yellow Cab drivers is now affiliated with Tenants and Workers United as a way to bolster their demands for fairness and freedom.

The members of the newly formed committee are in the process of discussing their next steps and will communicate with you in the coming days.

Sincerely,

Gabriel Rojo, Executive Director
Tenants and Workers United

cc: Rashad M. Young, Alexandria City Manager